

**Written Testimony of Dana Allen, PhD.
On behalf of the Minnesota Milk Producers Association**

before the

**House Committee on Agriculture
Subcommittee on Department Operations, Oversight, Dairy, Nutrition and Forestry
Winona, Minnesota Field Hearing**

“Review of the State of the Upper Midwest Dairy Industry”

May 31, 2006

Mr. Chairman, and members of the Subcommittee, my name is Dana Allen. I own and operate a dairy with my parents and brother south of Eyota, Minnesota, which is about 50 miles west of where we are today. I am proud to be a fourth generation dairy producer.

In addition to operating a dairy, I also serve on the board of directors for the Minnesota Milk Producers Association, The Voice of Minnesota's Dairy Industry. Minnesota Milk, as we are known, has a growing membership of over 1,800 dairy producer members. We combine dairy producer leadership with over 250 associate members and we are 'The Voice of Minnesota's Dairy Industry'. Our strength comes from working together with industry partners to create more opportunity for dairy producers. We focus on educational programs as well as mobilize grass roots efforts to help set policy that will shape our future.

First, I want to thank Chairman Gutknecht, my Congressman, for holding this field hearing in our area. As Congressman Gutknecht knows, the southeast portion of Minnesota has a long standing tradition of being a strong, progressive dairy area. Our terrain of rolling hillsides provides many opportunities for forage production and environmental sustainability. Dairy farming lends its hand to such opportunities.

However, over the last thirty years, Minnesota's dairy industry has faced many challenges. I sit before you today as a true minority in the dairy industry, a female. And, also as a representative for the next generation – the future of Minnesota's dairy industry. I am not interested in talking about the problems of the past, rather, I want to talk about what we have learned from these challenges and transform them into opportunities for our future.

Our 5,126 Minnesota dairy farms have an average herd size of about 74 cows, one of the smallest averages in the Country. While we can celebrate the fact that dairy producers in this part of the Country have been able to make a living on fewer cows than our counterparts elsewhere, we must continue to get better and that sometimes means increasing the pounds of milk produced, either by adding cows or increasing pounds of milk per cow. It could also mean adding more value to our product, cutting costs of production per pound produced, or any combination thereof.

In addition, consumers continue to demand low cost, high quality food. Consolidation is occurring all around us. Look at the explosion in major food retailers such as Walmart, Costco, etc., and the current purchase of Albertson's by SuperValue. As producers, we are continuing to adjust to the changes in the retail food industry. This trend continues to put pressure on the processing and production side of all industries, including dairy.

Coupled with that, we have a new generation of dairy producers coming up, like myself, who do want free time. I have chosen dairy farming as my career because I love the animals. There is nothing better than helping to deliver a newborn heifer calf or having the 4th highest milk production per cow in the State of Minnesota. But there are also business realities that must be faced. Consolidation is one reality, the need to hire additional labor is another. If not addressed, Minnesota's industry will continue its decay and the incentive for young people to come back to farm will soon disappear.

I share this with you to give you a better understanding of the dairy producer perspective. Every dairy producer's dream is to own and operate a profitable and successful business while enjoying a wholesome lifestyle.

Overall, Minnesota's dairy industry has been able to maintain itself the last several years, which is an improvement from previous decades. In fact, we have even had some signs of strengthening. It has started with the resolve of dairy producers in Minnesota. We have been able to communicate our message to leaders at all levels to create policies that encourage a healthy and vibrant dairy industry.

Governor Tim Pawlenty, his administration, and several state legislators have played a major role in our effort and deserve our thanks. With their help, we have reduced the number of farm losses and steadied milk production. However, we still have a long way to go.

As we continue to stabilize and potentially increase milk production in Minnesota, our cooperatives and other processors must be looking at ways to increase processing capacity. They must also look into adding more value to what we produce on the farm. The adaptation of new technologies and improvements in efficiency are needed not only at the farm level, but also at the processor level.

Milk assembly costs from the farm to the plant are unacceptable. While they have made great strides over recent years, our processors must continue to work together much more than they are now to bring about increased efficiencies in milk assembly. They must also be constantly re-investing in processing procedures that add efficiencies to the system and value to our product. We will continue to work cooperatively with our processors to make these internal improvements in our industry.

There are several policies that need to be reformed and improved at a federal level as well.

Policies are needed to help ensure that we have a quality rural labor force. For years, our best and brightest youth have been leaving rural areas. The supply of quality people is sometimes scarce. We have found that people of Hispanic origins share our values of family and work ethic. They provide a quality, trusted and hardworking workforce. We greatly value their contribution to our dairy and to our community.

We encourage Congress to pass comprehensive immigration reform that strengthens our borders, ensures national security, and provides opportunity for the United States to continue in its tradition as a melting pot of hardworking immigrants.

We request a price safety net that effectively sets a price floor higher than \$9.90 per hundredweight. The safety net must work effectively within the market. Our current system tends to limit marketing innovation. Processors just produce products and sell them to the Commodity Credit Corporation when the market price for our product is at the price floor rather than encouraging dynamic marketing innovation.

Minnesota Milk believes a possible solution is to design a price support system that would work in combination with a counter cyclical program like the Milk Income Loss Contract (MILC) program.

The MILC program has provided enormous benefit to Minnesota producers. We strongly encourage Congress to continue some type of counter cyclical program. And, we remain open to possible changes in the system to reduce regional disparities.

Minnesota Milk also encourages Congress to continue to reform the Federal Milk Marketing Order system. The current system is antiquated and complex. We urge you to significantly reduce the number of Marketing Orders. Ultimately, we believe one marketing order is all that is needed. We believe the best solution is to create a system that incorporates one uniform Class I utilization across the country. Transportation has improved significantly since the inception of the currently reformed system. Cold milk can be efficiently transported across the country, thus eliminating the fear of having fluid milk shortages.

This reformed system would also encourage responsible dairy production in environmentally suitable areas of the country. It would also preserve orderly pricing and marketing of dairy products.

Additionally, we must have a domestic pricing structure that encourages the production of dairy products that consumers demand, in particular, milk protein concentrates. The current price support system and order system does not encourage balanced domestic production of proteins. For many reasons, it makes sense to ensure a domestic supply of a wide variety of natural proteins extracted from our cows' milk.

We encourage Congress to play an important role in WTO negotiations by not allowing other nations to export their subsidized dairy protein products into the United States. The bottom line is that United States producers can profitably compete with the best when we

are on a level playing field. We encourage Congress to utilize Tariff Rate Quotas and other tools available to ensure we do not give away entry to our Country at the expense of the best dairy producers in the world – the U.S. dairy producer.

These changes can and must be made in such a way that maintains the integrity of the wholesome product our cows produce. Minnesota Milk encourages Congress and FDA to maintain a definition of milk, ice cream and other products that does not threaten the strong consumer confidence developed over the years which could be lost in the rush to sell dairy-like byproducts and imported substitutes in place of quality dairy products.

Environmental regulations in Minnesota are among the most stringent in the country. We are not complaining. In fact, we believe the responsibility of environmental protection should lie with the people who make a living off the land and we openly accept the responsibility. But, what we would like is to have other states step up and follow through on enforcing the Clean Water Act as it is related to livestock operations.

Consistent administration of environmental regulations across the country is fair and responsible. The current administration of the Clean Water Act puts producers in Minnesota at a competitive disadvantage because we are unable to reap the benefits of our high level of environmental stewardship from the marketplace. Instead, the current administration of the Clean Water Act should put Minnesota dairy producers at a competitive advantage - because of our special care for the environment.

To help dairy producers across the country comply with the Clean Water Act, Congress enacted the Environmental Quality Incentives Program (EQIP). It is one of the most valuable and reliable programs Congress has enacted. We ask that you continue funding EQIP at the current level or higher. Minnesota dairy producers understand the environmental rules and have grown to look at EQIP as a vital element in providing assistance needed to enhance their stewardship practices. We appreciate the 75% cost share limit established in statute. Unfortunately, in Minnesota, the administrators only allow 50% cost share of practices. Minnesota's State Conservationist, Bill Hunt, is doing a fine job of administering many aspects of the various conservation programs. However, this is one area that we would like to see immediate administrative changes. Environmental improvements on the farm can be quite expensive; increasing the cost share percentage to a number higher than 50% would benefit those that Congress intended the program to benefit.

Additionally, the EQIP program helps to prepare dairy producers for easy entrance into programs such as the Conservation Security Program (CSP). We ask that you consider continued, responsible development of a program like CSP that rewards producers for incorporating best management practices. The current CSP program holds promise for the future. However, there are still several questions associated with CSP before it becomes a truly effective and reliable program. We ask Congress to continue serious dialogue specifically with dairy farmers on how to best reform and implement the program before moving forward.

We encourage more cooperation between federal conservation programs and voluntary, industry led programs like Minnesota Milk's Environmental Quality Assurance (EQA) program. The EQA program has received high praise from Minnesota officials like the Minnesota Pollution Control Agency Commissioner Sheryl Corrigan, Minnesota Department of Agriculture Commissioner Gene Hugoson and other state agency heads and environmental groups. These voluntary industry led programs help to extend federal dollars farther and more efficiently. This is one particular area where Bill Hunt has seen opportunity. Bill and his staff continue to find innovative ways of cooperating and we thank him for his leadership in this area.

We encourage Congress to extend and expand renewable energy incentives not only for ethanol and biodiesel production, but also for on farm biogas production, in particular methane digesters. Minnesota is a leader in both biodiesel and ethanol production. Minnesota is also the home to dairy producer and Minnesota Milk Director, Dennis Haubenschild, who many consider a pioneer in creating renewable energy from cow manure. On farm biogas production holds promise as a key component for a stable, long term, domestically produced energy supply.

Lastly, Minnesota Milk supports and encourages continued development of a safe, secure and reliable animal identification program. Consumers are rightfully requesting traceability of food produced. The industry should be proactive by implementing an animal I.D. program. We ask that Congress consider the tremendous costs of implementing such a program. And request that these costs are not borne solely by producers, but rather consumers who gain from increased traceability of food products.

In closing, Minnesota Milk asks that Congress continue to have an eye for the future. As I mentioned at the outset, my generation is the future of the dairy industry. We must learn from the challenges of the past to reform and enact policies that will help cultivate profitable dairy producers who continue to care for the environment, and their communities. I believe the items laid out in my testimony and that of the other distinguished panelists help direct this vision.

Chairman Gutknecht, distinguished committee members, on behalf of Minnesota's dairy producers I thank you again for the opportunity to share our thoughts and ideas.